



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0181	Title:	Require tax information agents to report certain real estate transactions
Primary Sponsor:	Esp, John	Status:	As Amended

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$900,000	\$900,000	\$900,000
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$900,000</u>	<u>\$900,000</u>	<u>\$900,000</u>

Description of fiscal impact:

This bill would require information agents, primarily realty transfer companies, to file forms with the Department of Revenue (DOR) reporting certain real estate transactions. Based on experience from the ongoing property sales compliance project using Realty Transfer Certificates, the estimated additional general fund revenue from this bill's provisions is \$900,000 per year beginning in FY 2011

FISCAL ANALYSIS

Assumptions:

1. This bill would require information agents, primarily realty transfer companies, to file forms with the Department of Revenue (DOR) reporting certain real estate transactions. Those real estate transactions to be reported on are those required under the rules or regulations of the United States Department of the Treasury. These forms must be filed under rules to be developed by the DOR.
2. For purposes of this fiscal note, it is assumed that the rules and regulations of the United States Department of the Treasury are those required for reporting transactions via a Form 1099-S, Proceeds from Real Estate Transactions. The forms to be filed with the DOR are assumed to be copies of 1099-S.

3. In late 2007, the DOR began conducting a real estate transaction compliance project using data from Realty Transfer Certificates (RTC). The RTC project has collected data from nearly 417,000 RTCs from all 56 counties. The 417,000 RTCs report on real estate transactions from 2003 through 2007.
4. As of the end of November 2008, the RTC project had collected \$3.212 million in revenue. Nonresidents paid \$2.841 million, or 88%, and residents paid \$0.370 million, or 12%, of the total. The \$3.212 million has been generated from 767 nonresident and 154 resident tax returns filed.
5. Over its life the RTC project is expected to generate \$22.5 million in revenue, equivalent to \$4.5 million per year for the five past years of RTCs (\$22.5 million / 5 = \$4.5 million).
6. In general, 1099-Ss are used to report sales or exchanges of residences, land, commercial buildings, and condominium units to the IRS and are usually filed by the person responsible for closing the real estate transaction. There are two differences between the RTC and the 1099-S relevant to this fiscal note:
 - a. The 1099-S has substantially less information than the RTC. For example, the 1099-S does not have information on the buyer, hindering follow-up and compliance work.
 - b. There are transactions where no Form 1099-S has to be completed, including sale of a principal residence for \$250,000 or less (\$500,000 for married, filing joint); transactions where the transferor is a corporation; and transactions by an “exempt volume transferor”. An exempt volume transferor is someone who either expects to, or has, sold or exchanged more than 25 separate items of reportable real estate to at least 25 transferees, or who has done so in either of the two previous years. Other exempt transactions are bequests or gifts and those for full or partial satisfaction of a debt.
7. Because a 1099-S does not have all the data found on an RTC, the cost of follow-up and compliance work may be increased, or the number of transactions reviewed will decline. No adjustment has been made to reflect this consideration.
8. As amended, this bill is effective upon passage and approval. Therefore, the first tax year where the reporting requirement will apply is tax year 2009. Individual income tax returns are mostly filed near the end of the next numbered fiscal year, in this case, near the end of FY 2010. Follow-up work and compliance, which follow return filings, are assumed to start generating additional revenue for the state in the following fiscal year, FY 2011.
9. The administrative costs associated with this bill are currently being performed and are part of the DOR present law budget.

	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>	<u>FY 2012</u> <u>Difference</u>	<u>FY 2013</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Revenues:</u>				
General Fund (01)	\$0	\$900,000	\$900,000	\$900,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$900,000	\$900,000	\$900,000

Sponsor's Initials

Date

Budget Director's Initials

Date